

National Perspective on Rate Increases for Individual Health Plans

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Agenda

- ACA Changes Affecting Rates.
- Rate Stabilization.
- Individual Health Plan Rate Filings Under ACA.
- National Rate Increases for Individual Health Plans.
- Pennsylvania Rate increases for Individual Health Plans.

ACA Changes Affecting Rates

- Guaranteed Issue - pre-existing condition exclusions and underwriting is not allowed. Companies required to issue health insurance policies to any individuals that apply for coverage. Rates cannot vary based on the health status of the insured (surcharge for tobacco is permitted).

ACA Changes Affecting Rates

- Rates for plans only allowed to vary by age, area and tobacco use.
- Compressed premium scale.
- Essential Health Benefits.
- Metallic Plans.
- Elimination of annual dollar limits.
- Elimination of lifetime dollar limits.
- Medical Loss Ratio.
- Transitional Plans.

Antiselection

- People will do what is in their best interests.
- Individual consumers are more likely to purchase insurance when in need of health care.
- Enrollee may discontinue premium payments once services are received.

Rate Stabilization Programs (3R's)

- Reinsurance.
- Risk Corridor.
- Risk Adjustment.
- Goal of these programs is to protect against antiselection and help to stabilize premiums.

Reinsurance

- Temporary Program – 2014 through 2016.
- Provides payments to plans that enroll higher cost individuals.
- Protects against premium increases in the individual market by offsetting the claims of high cost individuals.

Risk Corridor

- Temporary Program – 2014 through 2016.
- Only applies to Qualified Health Plans.
- Limits losses and gains beyond an allowable range.
- Funds collected from plans with lower than expected claims and redistributed to plans with higher than expected claims.

Risk Adjustment

- Permanent Program.
- Applies to all non-grandfathered individual and small group plans on and off exchange.
- Transfers funds from plans with lower risk enrollees to plans with higher risk enrollees.
- Encourages Insurers to compete based on the value and efficiency of their plans rather than by attracting healthier enrollees.

Individual Health Plan Rate Filings

- Rates are on a calendar year basis January 1st through December 31st.
- 2014 rates were filed during the second quarter of 2013.
- 2015 rates were filed during the second quarter of 2014.
- 2016 rates were filed during the second quarter of 2015.
- 2017 rates were filed during the second quarter of 2016.

Primary Drivers of Rate Increases

• Trend	7.0%
• Elimination of Reinsurance	5.0%
• Claims Experience	9.0%
• Total ($1.07 * 1.05 * 1.09$)	22.5%

Primary Drivers of Rate Increases

	2015	2015	
<u>Company</u>	<u>Estimated Claims</u> <u>PMPM</u>	<u>Actual Claims</u> <u>PMPM</u>	<u>A/E</u>
A	257.79	387.70	150.4%
B	340.74	472.91	138.8%

Primary Drivers of Rate Increases

2015 Experience - Individual	
Health Premiums Earned	\$ 2,477,135,000
Total Incurred Claims	\$ 2,885,667,000
Premium PMPM	\$ 348.11
Incurred Claims PMPM	\$ 405.52
Incurred Loss Ratio	116.5%

National Rate Increases

• BCBS AZ	74.4%
• Qual Choice (AR)	23.7%
• Rocky Mountain (CO)	43.5%
• Anthem Health (CT)	32.4%
• Highmark BCBS (DE)	32.4%
• Humana Medical Plan (FL)	43.6%
• Select Health (ID)	32.3%
• Anthem BCBS (IN)	33.8%

National Rate Increases

• Wellmark (IA)	45.0%
• BCBS KS	47.4%
• Golden Rule (KY)	65.1%
• Vantage Health Plan (LA)	30.1%
• Maine Community (ME)	23.6%
• Freedom Life (MD)	34.0%
• Humana (MO)	34.9%
• Medica (NE)	35.9%

National Rate Increases

• Humana (NV)	36.5%
• BCBS NM	82.1%
• United Healthcare (NY)	45.6%
• Aetna (NC)	23.2%
• Premier (OH)	39.8%
• BCBS OK	51.6%
• Community Care (OR)	36.7%

National Rate Increases

• Highmark (PA)	48.1%
• BCBS RI	11.7%
• BCBS TX	59.4%
• United Healthcare (UT)	42.3%
• Golden Rule (VA)	59.6%
• Premera (WA)	24.8%
• Freedom Life (WY)	17.4%

Pennsylvania Rate Increases

• Aetna Health	17.2%
• Capital Advantage	27.0%
• First Priority	38.8%
• Highmark	48.1%
• Geisinger	41.2%
• QCC	22.5%
• UPMC	16.2%

Where are We Now

- Failure of Co-Ops.
- Companies' financial statements showing large losses.
- When will experience stabilize?